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**WORKING TOWARD
INDEPENDENCE**

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Executive Summary

The welfare reform law of 1996 marked a turning point in national welfare policy. The new policy aimed to encourage personal responsibility by promoting work, reducing nonmarital births, and strengthening and supporting marriage. No longer could able-bodied adults remain on welfare year after year without working. Individuals were given strong financial incentives to leave welfare for work; families were given essential support for child care and health care to facilitate the transition to work; states were given equally strong incentives to help parents prepare for and find jobs. And state and local governments were given more control over welfare than ever before.

The result has been an historic decline in the welfare rolls, substantial increases in employment by low-income mothers, unprecedented increases in earnings by low-income females heading families, and a sustained decline in child poverty, particularly among African-American children. In addition, for the first time in several generations, the percentage of children born outside wedlock leveled off and has remained nearly flat for the last five years.

But there is plenty of work left to do as Congress reauthorizes the 1996 legislation. The Bush Administration's detailed plan for reauthorization is explained in this document. The plan has four major pillars, all of which build on the achievements of the 1996 law.

Promoting work is the key to both the 1996 reforms and the Administration's reauthorization plan. Although nearly three million families have left welfare, most of them for work, there are still over two million families remaining on the rolls. Policymakers and welfare administrators have an obligation to help these families follow in the footsteps of those who have already abandoned welfare for work. The Administration's plan makes a \$22 billion per year Federal commitment to cash welfare, work preparation, and childcare through the Temporary Assistance for Needy Families and Childcare and Development block grants.

Strengthening families is the second major element of the Administration plan. One of the hardest jobs in America is being a single parent. Yet millions of the lowest income single parents have shown over the past several years that they are capable of achieving self support through work. But their earnings are often modest and leave their families below the poverty line. Thus, it is vital that Federal policy continue to provide supports to low-income working families and even expand these supports. The Administration's plan continues the current high level of spending for childcare, maintains the commitment

to providing health insurance to the children of low-income working families, and expands the child support enforcement program so that more payments by fathers will be given directly to mothers and children. In addition, the Nation's most important program for assisting low-income working families with children, the Earned Income Tax Credit, will continue to provide income supplements of up to \$4,000 per year to single mothers leaving welfare for work.

Although our policy must and does continue to support single-parent families, national policy must do a better job of promoting healthy marriages. Research shows that both adults and children are better off in two-parent families. Children reared by married parents in intact families are more likely to complete high school and are less likely to be poor, to commit crimes, or to have mental health problems than are children reared in single-parent families. It is no criticism of single parents to acknowledge the better outcomes for children of married-couple families. Rather, it is simply wise and prudent to reorient our policies to encourage marriage, especially when children are involved. For this reason, the Administration plan commits up to \$300 million per year for states to design and implement programs that reduce nonmarital births and increase the percentage of children in married-couple families. The states have established a strong track record of innovation in helping dependent adults move to work; there is every reason to believe that states will find new and effective ways to encourage healthy marriage in appropriate circumstances. The Administration's approach to promoting marriage is to provide financial incentives for states, often working together with private and faith-based organizations, to develop and implement innovative programs. These demonstration programs will be carefully evaluated and successful programs will be disseminated to other states.

Acknowledging the immense capacity of states and localities to design and conduct effective social programs is the third foundation of the Administration's plan. The Federal Government devolved a great deal of authority and responsibility for social programs to states as a fundamental part of the 1996 reforms. Now the Federal Government's primary responsibilities are to set broad goals for social programs, help fund them, evaluate their efficiency and effectiveness, and provide assistance to states trying to implement programs that have a proven track record. This revolution in Federal and state roles should be continued and expanded. Specifically, the Administration's plan includes legislation that would allow cabinet-level agencies to have expanded authority to grant waivers to states for the purpose of improving the efficiency and effectiveness of cash, housing, nutrition, and especially workforce programs. The primary goal of the expanded state flexibility is to improve coordination across programs so that more adults can achieve independence from welfare while attaining greater financial and social

security for themselves and their children.

Finally, the Administration's plan includes an important restoration of nutrition benefits for legal immigrants. The 1996 reforms imposed a five-year ban on most welfare benefits for legal immigrants and a permanent ban on food stamps and Supplemental Security Income. Federal policy should strive to find a balance between the needs of poor immigrants and the obligation to ensure that welfare policy neither attracts noncitizens to the U.S. to take advantage of welfare programs nor induces welfare dependency among immigrants who receive welfare benefits. Thus, the Administration supports continuation of the five-year ban but proposes to align food stamp rules with the rules for cash welfare and Medicaid by allowing legal immigrants to receive food stamps after five years. This policy helps ensure adequate nutrition among children and other vulnerable immigrant groups, while continuing to require new entrants to the country to support themselves and their families through work.

Taken together, the elements of the Administration's plan represent a balanced approach to continuing the immense success of the 1996 reforms. America has made great progress in welfare reform. Doors of opportunity that were shut and sealed have been opened – in no small measure because of the efforts of welfare recipients themselves. But there is no acceptable level of despair and hopelessness in America. We will not abandon people in need to their own struggle. The successes of the past few years should not make us complacent. They prove what is possible when we press forward with bipartisan reform efforts. And the Bush Administration is determined to press forward.

Achievements of the Welfare Reform Law of 1996

The War on Poverty

In 1964, President Johnson declared war on poverty. At the time, the Federal commitment to solving domestic social problems was modest, as measured by either the number of programs or the level of spending. But in that remarkable year, the Nation embarked on a path that led to an expansion of programs and spending designed to attack poverty and other domestic problems. Over the next decade, the Federal Government enacted Medicare, Medicaid, Head Start, food stamps, Supplemental Security Income, and an array of additional programs. By 1995, the Nation had over 300 social programs, and Federal and state spending on the poor had jumped from around \$40 billion to about \$360 billion.

These programs were the Federal Government's first sustained attempt to address low income and poverty. Two important results of the new programs are that poverty among the elderly has been reduced by about two-thirds and affordable health care for the elderly has become universal. These are great achievements.

However, the effects of War on Poverty programs on children, young adults, and parents have been far less positive. Indeed, despite the dramatic increase in programs and spending, child poverty stayed at high levels and actually drifted upwards between the 1970s and the early 1990s. Even worse, more and more children were born outside marriage, a circumstance associated with high levels of poverty, youth violence and crime, and welfare dependency, all of which increased during this period.

The Welfare Reform Law of 1996

By 1995 there was broad agreement that the guaranteed benefits of the welfare state had failed to help young adults establish economic independence. A new direction was needed to break rising welfare dependency and return more young people, especially parents, to lives of self-reliance and dignity.

Following the Republican sweep of the Congressional elections of 1994, Republicans introduced legislation to reform the Nation's leading welfare programs. The goals of the reforms were to stimulate work, promote healthy marriages, and reduce non-marital births. Work was promoted both by making continued receipt of cash welfare conditional

on serious efforts to prepare for and find work, and by making it clear to recipients that welfare was temporary. Thus, families were limited to a total of five years of cash welfare over their lifetime. States were also directed to place a specific percentage of their welfare recipients in work programs or suffer penalties. The 1996 law also streamlined childcare programs and greatly increased childcare funding, improved child support enforcement so that more money could be collected for single mothers and children, changed Medicaid rules so that virtually all families leaving welfare would have at least one year of guaranteed Medicaid, and enacted a series of reforms designed to reduce non-marital births. States were also given unprecedented flexibility to design and conduct programs to increase employment and reduce non-marital births.

After a spirited debate, Congress overwhelmingly passed a bipartisan bill which was signed into law on August 22, 1996.

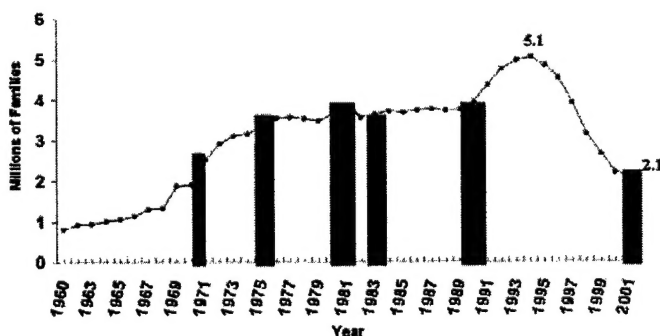
Welfare Reform Works

Welfare Receipt, Employment, Earnings, and Poverty

The results of these reforms, which were implemented during one of the hottest economies of recent decades, are nothing short of spectacular. Taken together, information from state surveys, large-scale surveys from the Census Bureau, and other

sources portrays a very consistent picture.

Figure 1
Welfare Caseloads Fall Rapidly After 1994



Note: Recessions are noted by shaded area.
Source: Congressional Research Service and U.S. Department of Health and Human Services

As shown in Figure 1, the number of families on welfare (now called Temporary Assistance for Needy Families or TANF) has been declining rapidly for the first time ever. Although many commentators claim that welfare rolls rise during recessions and decline during economic booms, this

claim is refuted by the information in Figure 1. After 1960, welfare declined in only a few

years until the mid-1990s. The gray areas representing recessions in Figure 1 show that the rolls tended to rise during both recessions and economic expansions. Even the booming economies of the 1960s and the 1980s could not substantially reduce the welfare rolls. Yet for the first time ever, following the 1996 reforms, the rolls declined rapidly as the economy expanded.

Because so many people left the rolls after the mid-1990s, many observers predicted disaster during a recession. This prediction is now being put to the test by the recession that began in March of 2001. Although the welfare rolls have started to increase in several states for the first time since the mid-1990s, total enrollment in welfare across all the states continued to decline slightly through September of last year as compared with September of 2000. Thus, even during the recession, states have continued to have some success in helping mothers leave welfare, albeit less success than they were able to have when jobs were more plentiful.

Declining rolls suggest reduced welfare dependency, but a full evaluation of welfare reform requires careful study of more than caseload declines. What happens to mothers who leave welfare? More than 40 states have now conducted studies to answer this question. These studies show that on average around 60 percent of mothers leaving welfare are employed at any given moment and that over a period of time more than 80 percent are employed.

National survey data from the U.S. Census Bureau confirm this finding. Because Census Bureau studies are based on representative samples of the entire population, they provide the most reliable and valid estimates of how the economic fortunes of Americans change over time. Consistent with the state studies of mothers leaving welfare, Census Bureau employment data for all females who head families show dramatic increases in work beginning in the mid-1990s. After a decade in which the annual employment rate of single mothers hovered around 58 percent, the rate increased every year through 2000, the last year for which information is available. By 2000, well over 73 percent of mothers heading families were working, an increase of 25 percent in 6 years.

Even more to the point, most of the increased employment occurred among low-income mothers. Figure 2 shows employment levels for never-married mothers, the most disadvantaged subgroup of mothers heading families. These mothers are the least educated, the least job experienced, and the most likely to have long spells on welfare often lasting well over a decade. Yet between 1995 and 2000, their employment rates increased from under 46 percent to nearly 66 percent, an increase of more than 40 percent in just five years.

These employment increases by single mothers and former welfare mothers are

Figure 2
Work By Never-Married Mothers
Increases Rapidly After 1996



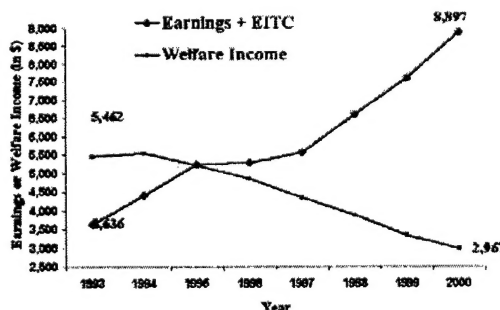
Source: Gary Burtless, Brookings Institution, 2001

unprecedented. By 2000, the percentage of single mothers with a job reached an all-time high. Thus, the decline in welfare rolls has led to substantial increases in employment.

Even those who raised doubts about welfare reform must concede that millions of mothers previously dependent on welfare have proven themselves capable of holding jobs. But

skeptics might still question whether the rise in work has contributed to increased economic well-being among female-headed families. After all, during the welfare debate of 1996, a highly publicized study had predicted that at least a million children would be cast into poverty by welfare reform.

Figure 3
Earnings Increase While
Welfare Income Falls, 1993-2000



Note: Data are for families headed by mothers with total incomes of less than about \$21,000; welfare income is cash plus means-tested food and housing benefits; earnings include income from the Earned Income Tax Credit (EITC); values displayed in constant 2000 dollars.
Source: U.S. Census Bureau

Again, the Census Bureau surveys provide reliable information on changes in economic well-being among all female-headed families. In most years since the mid-1990s, the Census Bureau data paint a consistent picture of economic progress by low-income mothers heading families. Figure 3 captures the essential features of the portrait for

the bottom 40 percent of mother-headed families (total income under \$21,000). Between 1993 and 2000, earnings increased dramatically while income from welfare fell. The figure shows that welfare income, primarily from cash and food stamps, has declined by about \$2,500 per family. However, income from earnings and the Earned Income Tax Credit (EITC), a program that provides a cash subsidy to low-income working parents, has more than offset this loss of welfare income for many families. Earnings and the EITC climbed by an average of \$5,300 per family over the period. Thus, when these and all other sources of income are combined, the total income of families headed by low-income single mothers increased by well over 25 percent between 1993 and 2000. This pattern of rapidly increasing employment and earnings accompanied by decreasing welfare income is the very definition of breaking welfare dependency.

Figure 4
Child Poverty Rates
Fall Significantly After 1993



Source: U.S. Census Bureau

Not surprisingly, the surge in employment and earnings was also successful in reducing child poverty rates. As Figure 4 shows, the predictions of increased child poverty have proven to be incorrect. In fact, child poverty has declined every year since the mid-1990s. The total decline of about 30 percent, from 22.7 percent in 1993 to 16.2 percent in 2000, has brought overall

child poverty to its lowest level since 1978. Equally important, poverty among African-American children has fallen dramatically to its lowest level ever, and Hispanic children are not far behind.

Additional data from the Census Bureau not shown here provide the key to understanding these large reductions in child poverty. Historically, poverty rates among children in female-headed families have been five or six times higher than poverty rates for children in married-couple families. As the percentage of children living in female-headed families increased every year after the early 1970s, the child poverty rate drifted upwards, reaching almost 23 percent in 1993, its highest level in almost 30 years. The

straightforward explanation for this unfortunate trend is that an increasing percentage of American children lived in female-headed families, and an increasing percentage of the mothers heading these families did not work steadily and became dependent on welfare. But beginning in the welfare reform era of the mid-1990s, more and more of these mothers went to work, their earnings increased greatly, and child poverty fell. The poverty rate among female-headed families is now at its lowest level ever.

Here's the bottom line: welfare reform worked because single mothers left welfare and went to work in unprecedented numbers. Good for them. Good for their children.

Family Composition

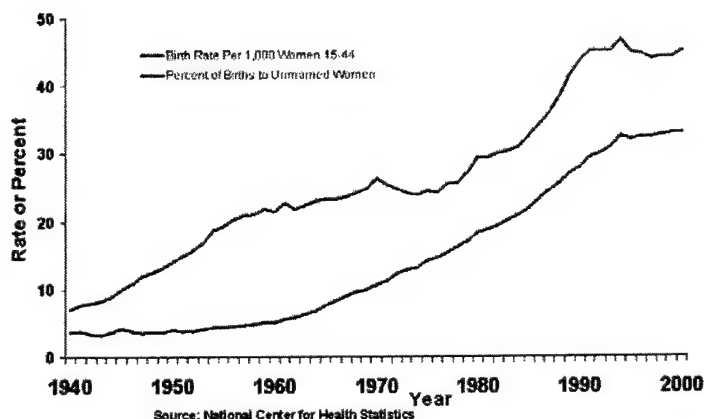
The news on family composition is encouraging. The negative effects of single parent families were brought forcefully to the Nation's attention in 1965 by Daniel Patrick Moynihan, then an Assistant Secretary in the Department of Labor. Moynihan noted the dramatic increase in non-marital births and reviewed evidence to argue that these births were the underlying cause of several of the Nation's leading domestic problems, including violence and welfare dependency. But the public reaction to Moynihan's report was so negative that the problem he diagnosed with such clarity was ignored for three decades.

It was not until the welfare reform law of 1996, some three decades later, that the Federal Government launched its first major attack on the problem of non-marital births. Among other policies, states were given great flexibility in their use of Federal resources to reduce non-marital births and increase the number of children growing up in two-parent families; rules on paternity establishment were strengthened; the child support enforcement program was overhauled; teen mothers were required to attend school and live at home or lose their welfare benefits; and a bold new abstinence education program was launched.

Although most observers agree that states have not been as aggressive in launching programs to increase the number of children in two-parent families as they have been in mounting programs to help mothers work, they have, nonetheless, taken the first steps toward what could become a robust and multi-front attack on the problem of family composition. As shown in Figure 5, after several generations of relentless increases, both the rate of births to unmarried mothers and the percentage of all births to unmarried mothers have leveled off. Similarly, teen birth rates have enjoyed a decline every year since 1991 and are now as low as they were in the 1960s (not shown in the figure). This is a promising beginning, but much more remains to be done to increase the number of

children reared in two-parent families.

Figure 5
Birth Rate and Percent of Births
to Unmarried Women, 1940-2000



Working Toward Independence

There is little doubt that the Federal Government and the states have found a new strategy to reduce welfare dependency. The strategy has two parts. First, strong measures – especially work requirements backed by sanctions and time limits – have been taken to convince young mothers that they must leave welfare for work. States responded to these Federal requirements by implementing programs that helped welfare mothers search for and find work. Combined with a robust economy, this approach has pushed welfare rolls to their lowest point in three decades and work by single mothers to its all-time high.

The second part of the strategy has received far less attention. Over the past 15 years or so, Congress has expanded a series of programs that provide support to low-income working families. These programs include Medicaid, childcare, the child tax credit, the EITC, and food stamps. Taken together, these programs convert even a minimum wage job into the equivalent of a job paying \$8 per hour with benefits. More specifically, if a mother with two children works almost full time at the minimum wage, she earns about \$10,000 per year. But thanks to \$4,000 in cash from the EITC and around \$2,000 in food stamps, the mother and children have a total income of \$16,000. In addition, the mother has Medicaid coverage for up to a year after she leaves welfare and the children have Medicaid coverage for as long as the mother has low income. Moreover, the mother may

benefit from the \$17 billion in annual Federal funding for childcare.

The fundamental goal of welfare reform since 1996 has always been to help each family achieve its highest degree of self-sufficiency. Various work support and training programs are not only intended to supplement low levels of earnings, but to help enable people to make the transition to better jobs as they climb the career ladder.

It is the combination of programs that encourage or require work and programs that subsidize work that accounts for the remarkable outcomes achieved by welfare reform. To be sure, there are problems with the new approach, including mothers holding low wage jobs, mothers who face severe barriers to employment, and families that have difficulty retaining enrollment in the food stamp and Medicaid programs. States are already beginning to design and implement programs to address these problems.

Given the great successes achieved by the 1996 reforms, the basic structure of the TANF and childcare programs should remain intact, including the generous funding for both programs. Beyond retaining the basic features of welfare reform, reasonable changes can help states augment the employment and earnings gains already achieved and lead to improved outcomes for many of the families left behind. The more modest success of the family composition goals of TANF suggests that more innovative solutions must be found to reduce non-marital births and increase marriage.

In the following pages, the Bush Administration sets forth the details of its plan for retaining the basic features of TANF while increasing the focus on work, providing incentives for states to encourage healthy marriages and reduce the incidence of nonmarital births, and increasing the flexibility states have to create innovative programs to help poor and low-income Americans work toward independence.

Strengthen the Federal-State Partnership

Overview

The Welfare Reform Law of 1996 replaced the old Aid to Families with Dependent Children (AFDC) program with a new block grant called Temporary Assistance for Needy Families (TANF), thereby creating a new Federal-state partnership. No longer was policy set in Washington, with states permitted only a limited number of choices. Instead, states were given broad flexibility to spend funds in any manner reasonably calculated to achieve the goals of TANF. The Administration's proposal will continue this partnership, maintaining the current level of funding.

In exchange for the increased flexibility of a block grant, states accepted a financial risk. If caseloads had continued to rise, states would have absorbed the additional costs. Fortunately, TANF worked. The number of individuals receiving cash assistance has fallen by 56 percent since the law was enacted. Record numbers of recipients and former recipients are working. States will not be punished for their success by reducing Federal funding. In addition, funding will not be cut because states need it to conduct a wide range of programs to help poor families become and remain employed, care for their children, and make responsible choices about marriage and parenthood.

During most of its implementation, the TANF program has benefited from a robust economy. However, the strength of TANF has become most evident during the recent recession. The sharp increases in caseloads that might have been expected have not occurred in most states. There is concern, however, about the states' ability to respond to a sustained economic downturn. Thus, the Administration proposes to reestablish the \$2 billion Contingency Fund, which expired last year, to provide additional funds to states with high and increasing unemployment. The proposal will also make it easier for states to reserve portions of their allotments as "rainy day funds" and allow these funds to be used for supportive services.

Summary of Proposals

To build on the success of TANF and continue the Federal-state partnership, the Administration proposal will:

Maintain Current Levels of the TANF Block Grant. The basic Federal block grant will be reauthorized at \$16.6 billion annually for fiscal years 2003-2007. This maintains

the current level of funding. These funds will be distributed among the states and territories as in current law. Full funding will allow states to continue their recent investments in welfare-to-work programs and post-employment supports – such as transportation and training – that enable families to retain employment, enhance skills, and move up the career ladder. It will also help states develop new and enhance current programs to promote healthy marriages and family formation.

Continue the State Contribution Through the Maintenance of Effort (MOE)

Requirement. Under current law, states are required to contribute at least 80 percent of the amount they spent on the programs that TANF replaced. This amount drops to 75 percent if states meet mandated work participation rates. Both features of current law will be retained.

Reinstate Supplemental Grants to States that Have Low Levels of Funding Per Poor Person, or High Rates of Growth. The block grant allocation among states was based on historical spending patterns. However, supplemental grants were established to help states that experienced high population growth or had low historical welfare payments. These grants expired after FY 2001. The Administration proposal will reinstate the supplemental grants at \$319 million annually, the level provided in FY 2001.

Ease Limitations on Serving the Unemployed by Clarifying “Assistance” Definition. The distinction between “assistance” and “non-assistance” has been a source of considerable confusion for states and has restricted state creativity in helping those not on welfare who lose jobs. Our proposal will clarify terminology related to assistance and services. Childcare and other work support services will not be defined as assistance. This change in definition will expand state flexibility to help unemployed families avoid welfare.

Reauthorize and Improve the Contingency Fund. As under a provision of TANF law that expired last year, \$2 billion will be available to help states that experience high or growing levels of unemployment or increasing food stamp caseloads. Some provisions will be modified in order to ease access to the contingency funds. Under this proposal, spending on childcare and separate state programs can now be counted toward the contingency fund MOE requirement. This will effectively reduce the amount states will have to increase their own spending before they can qualify for their share of the contingency fund. Our proposal also modifies the reconciliation process so that states that qualified for grants for less than a full year will not have their matching rate increased.

Allow State Designation of "Rainy Day Funds." States will be allowed to designate some or all of their current or previous year TANF funds for placement in a "rainy day fund." This provision will clarify that carried-over funds are being allocated by the states for future use, supporting prudent state efforts to plan for periods of economic downturn.

Increase State Flexibility Regarding Carried-Over Funds. Our proposal will also allow funds carried over from previous years to be spent on any benefit, service, or activity otherwise allowed under TANF. Current law allows prior year funds to only be used for cash assistance. This change, which will greatly increase state flexibility, is based on the recognition that cash benefits represent only one part of services funded by TANF.

Restore Full Transfer Authority to the Social Services Block Grant. The 4.25 percent limit on TANF funds that may be transferred to the Social Services Block Grant will, over time, be restored to 10 percent, as originally provided for in the 1996 legislation. The transfer limit will increase to 5 percent in FY 2004, 6 percent in FY 2005, 8 percent in FY 2006, and 10 percent in FY 2007.

Maintain High Level of Commitment to Childcare. The Administration's proposal maintains the historic levels of childcare funding currently enjoyed by states. Entitlement childcare funding will be continued at \$2.7 billion in FY 2003, and the Administration is requesting \$2.1 billion in discretionary spending. The Childcare and Development Block Grant (CCDBG) provides funding for childcare services for low-income families, as well as for activities intended to improve the overall quality and supply of childcare for families in general. The Federal Government provides an additional \$6.7 billion in Head Start funding. Moreover, states use TANF, the Social Services Block Grant, Head Start, and state and local funds to support childcare. Including both TANF funds used for childcare and Head Start, the Federal Government is approaching a \$17 billion per year commitment to childcare. And this \$17 billion does not include additional Federal spending on childcare through the tax code, through child nutrition programs, and through many other Federal programs. The overall goal of TANF reauthorization is child well-being. Childcare supports this goal as well as being an important work support. States can and should use the flexibility in the block grant to look for innovative ways to improve the quality of childcare, including the incorporation of early childhood literacy. The Department of Health and Human Services can serve as a clearinghouse of best practices in this area and provide states with any necessary technical assistance.

Maximize Self Sufficiency Through Work and Additional Constructive Activities

Overview

Since welfare reform was enacted in 1996, the number of dependent families has been cut in half, and more families than ever are working. Yet evidence suggests that almost 1 million of the 1.6 million adults presently on TANF are not engaged in any activity leading toward self-sufficiency. These families cannot be left behind. The heart of welfare reform is encouraging work and requiring all welfare recipients to do everything they can to end their dependency on welfare and gain a secure foothold in the workforce. The Administration proposal strengthens work rules to ensure that all welfare families are fully engaged in work and other meaningful activities that will lead to self-sufficiency. Along with new requirements for individuals, states are expected to closely monitor the participation and progress of all TANF families. All parents are to be fully and constructively engaged. States will be required to make certain that, over time, the percentage of TANF recipients engaged in work and additional productive activities continues to grow.

At the same time, the Administration proposal gives states greater flexibility to define activities that will lead toward self-sufficiency and that are consistent with the purposes of TANF. Beyond the hours that parents must be engaged directly in work, states have the flexibility to implement education and training programs to help workers advance in their jobs. Furthermore, states will be able to count individuals who are in treatment for substance abuse or undergoing rehabilitation related to work abilities, toward their participation requirement for a limited period of time.

Summary of Proposals

Require Welfare Agencies to Engage All Families. The Administration proposes the creation of a new universal engagement requirement. States must engage all families in work and other constructive activities leading to self-sufficiency. TANF agencies will be required to ensure that:

- Within 60 days of opening an ongoing TANF case, each family has an individualized plan for pursuing their maximum degree of self sufficiency;

- All families are participating in constructive activities in accordance with their plan, or in the process of being assessed or assigned to an activity;
- Each family's participation in assigned activities is monitored; and
- Each family's progress toward self sufficiency is monitored and regularly reviewed.

States will have full discretion to define and design appropriate activities, subject to the work requirement outlined below, as well as to develop methods for monitoring and review. The provision in current law related to individual responsibility plans will be eliminated, as will the state-plan requirement that families must begin work no later than two years after coming on assistance.

Increase Minimum Participation Rate Requirements. The Administration proposes that in FY 2003, 50 percent of TANF families with one or more adults must be participating in a combination of work and other activities that lead to self-sufficiency as quickly as possible. The percentage will increase annually by 5 percentage points until it reaches 70 percent in 2007. States will be allowed to count families that have left welfare due to employment as part of their participation rate for up to three months. In contrast, under TANF, the required percentage of families engaged in work-related activities began at 25 percent (in 1997) and rose over time to 50 percent in 2002.

Require Families to Participate 40 Hours a Week. This proposal requires that families be involved in constructive activities averaging 40 hours per week in order to count toward the required participation rate. States will have discretion to define approved activities, which must help achieve a TANF purpose. Similar to current law, states will be able, at their option, to exclude parents with children under 12 months of age from the participation rate calculation. However, states must still require such parents to participate at some level.

TANF requires single and two-parent families to be engaged in work-related activities for 30 and 35 hours a week, respectively. The Administration believes that these families should be engaged in a full workweek of activities. States will continue to have flexibility in establishing sanctioning policies, except that states must, as in current law, continue assistance for single, custodial parents who have a child under age 6 but who cannot obtain childcare.

Increase Work Requirements. This proposal requires that families counted toward participation must also average at least 24 hours per week in work, including:

- unsubsidized employment;
- subsidized private sector employment;

- subsidized public sector employment;
- on-the-job-training;
- supervised work experience; and
- supervised community service.

This 24-hour work requirement is part of the 40-hour full participation requirement. TANF payments to families participating in supervised work experience or supervised community service are not considered compensation for work performed. Thus, these payments do not entitle an individual to a salary or to benefits provided under any other provision of law.

Give Work Credit to Families Engaged in Short-Term Substance Abuse Treatment, Rehabilitation, and Work-Related Training. This proposal allows states to count certain activities as meeting the work requirement for limited periods of time. Individuals participating in substance abuse treatment, rehabilitative services designed to maximize self sufficiency through work, and work-related training enabling the recipient to work, can be deemed to have met the three days a week work requirement. This exception would be available for no more than three consecutive months within any 24 month period.

Improve Calculation of Participation. States will be allowed to count only families that meet both the 24-hour work requirement and the 40-hour full participation requirement toward their participation rate. States will be able to obtain pro-rata credit for families engaged in appropriate activities less than full time as long as they meet their 24-hour direct work requirement. States will have the option of not counting cases for the purpose of determining participation rates for the first month after a case is opened.

Eliminate Separate Two-Parent Family Participation Rates. The Administration's proposal will end the separate participation rate for two-parent families; the same participation rate will apply to both single- and two-parent families. This policy removes a disincentive to equitable treatment of two-parent families. Under current law, two-parent families have a far more rigorous work participation rate requirement than do single-parent families (90 percent compared to 50 percent).

Phase Out the Caseload Reduction Credit. The Administration's proposal will phase out the current credit for caseload reduction because it reduces states' minimum required work participation rates. Currently, states receive credit toward meeting participation rates for caseload declines since 1995. With national caseloads declining by more than half, many states effectively have no work participation standards. In FY 2003 the full

caseload reduction credit will apply as under current law; in FY 2004 the credit will be halved; beginning in FY 2005, the credit will be eliminated. During this phase-out period the credit will be based on reductions since 1995, as in current law.

Conform Requirements for Teenage Parents. The Administration proposal will conform current law provisions regarding teenage parents who are heads of household. Teen parents who maintain satisfactory school attendance will satisfy both the 24 hours of direct work and the 40 hours of full participation requirements. Teen parents who are not satisfactorily attending school will have to meet the work and full participation standards in order to be counted toward a state's participation rate.

Provide Technical Assistance for Tribes. The Administration proposes to provide technical assistance to Indian tribes to identify and disseminate promising program models and other research information. This approach will help tribes design and implement more effective TANF programs and family formation activities in tribal lands.

Discontinue Outdated State Program Waivers. The Administration proposes to discontinue the few remaining state welfare reform waivers granted prior to the 1996 welfare reform legislation. Flexibility under current law allows states to accomplish all the purposes of TANF without waivers. Furthermore, the requirements of TANF no longer represent an experiment. Abolishing the remaining waivers will put all states on an equal footing. Broad new state waiver authority for integrating programs is proposed in a separate section of this document.

Conform State Penalty Provision to New Requirement. The penalty structure under current law for states failing to meet work participation rates will now apply when a state fails to meet either or both the universal engagement or full participation rate requirements. Penalties will still be limited to a combined maximum of five percent of a state's TANF grant for a fiscal year.

Retain Five-Year Time Limits and Continue Allowing 20 Percent to be Exempted. The Administration's proposal will retain current law provisions with respect to time limits. These provisions restrict families to 60 cumulative months of Federally-funded assistance (or less at state option). States may exempt up to 20 percent of their caseload from the time limit without penalty. These provisions make it clear that TANF assistance is temporary. At the same time, the policy recognizes that certain hardship cases require more time to achieve self-sufficiency.

Promote Child Well-Being and Healthy Marriages

Overview

The Administration's proposal encourages states to increase their efforts to promote child well-being and healthy marriages. There is an abundant body of research proving that children raised in households headed by continuously married parents fare, on average, better than children growing up in any other family structure. Children growing up without a married mother and father are more likely to experience school failure, to suffer from emotional disturbance or depression, and to abuse drugs. These differences in outcomes for children in two-parent, married families and other families persist even after controlling for family characteristics such as race and parents' education. For example, children growing up without a married mother and father are about twice as likely to drop out of school, over 50 percent more likely to have a child themselves as a teenager, and over 50 percent more likely to abuse controlled substances. As adults, they are over 30 percent more likely to be both out of school and out of work, and tend to have less stable relationships.

The better outcomes experienced by children in two-parent, married families are only partly attributed to higher incomes. Married parents also tend to spend more time with their children, be more connected to their community, and have more stable relationships.

Cohabitation is not equivalent to marriage in promoting the well-being of children. By the time they reach age 16, three quarters of children born to cohabiting parents will see their parents separate, compared to only about one third of children born to married parents. In the last decade, the proportion of cohabiting mothers who eventually marry their child's father fell from 57 percent to 44 percent.

Congress recognized the fact that two-parent, married families represent the ideal environment for raising children when it enacted TANF in 1996. TANF features a variety of family formation provisions. However, state efforts to promote healthy marriages represent just one percent of total TANF program expenditures. The limited attention paid to family formation by states is due in part to the lack of knowledge about how to implement successful marriage and family formation programs.

Our proposal will place a greater emphasis in TANF on strengthening families and improving the well-being of children. Enhanced funding will be made available for

research, demonstrations, technical assistance, and matching grants to states. An increased focus on marriage and child well-being will be added to both the purposes of the program and the state plan requirements. The Administration proposal will reauthorize the Abstinence Education Program (see below). Our approach will provide states with greater resources to pursue these goals while maintaining necessary flexibility so that states can design programs that work.

Summary of Proposals

Establish an Overarching Purpose to Improve the Well-being of Children. The Administration's proposal will amend the overall purpose of TANF to state, "The purpose of this part is to increase the flexibility of states in operating a program designed to improve the well-being of children . . ." This change is based on the recognition that the goals of TANF are important core strategies for improving the well-being of children.

Clarify the Encouragement of Healthy Marriages as a TANF Goal. The proposal will clarify the meaning of the TANF goal to encourage the formation and maintenance of two-parent families. The revised goal will read "to encourage the formation and maintenance of healthy two parent married families and responsible fatherhood."

Support Demonstrations, Research, and Technical Assistance. The Administration's proposal will establish a \$100 million annual fund to conduct research and demonstration projects, and provide technical assistance primarily focusing on family formation and healthy marriage activities. This provision will be funded by elimination of the Illegitimacy Reduction Bonus. The Administration believes that funds previously used for the Illegitimacy Reduction Bonus can be more effectively spent on developing innovative approaches to supporting family formation and healthy marriages.

Create a Competitive Matching Grant Program. The Administration proposes to redirect funds from the High Performance Bonus to create a competitive \$100 million grant program available to a limited number of states, territories, and tribal organizations to develop innovative approaches to promoting healthy marriage and reducing out-of-wedlock births. A dollar-for-dollar match to participate in the grant program will be required; states can use Federal TANF to meet this matching requirement.

Require States to Describe Efforts to Promote Marriage as Part of Their State Plan. States will be required to provide: (1) explicit descriptions of their family formation and healthy marriage efforts; (2) numerical performance goals; and (3) annual reporting of state achievement.

Encourage States to Provide Equitable Treatment of Two-Parent Married Families under State TANF Programs. As part of a state's plan, the proposal will require states to describe their efforts to provide equitable treatment of two-parent married families under their TANF program.

Encourage Abstinence and Prevent Teen Pregnancy

Overview

The sexual revolution that began in the 1960s has left two major problems in its wake. The first is the historic increase in non-marital births that have contributed so heavily to the Nation's domestic problems including poverty, violence, and intergenerational welfare dependency. The second is the explosion of sexually transmitted diseases (STDs) that now pose a growing hazard to the Nation's public health.

To address these problems, the goal of Federal policy should be to emphasize abstinence as the only certain way to avoid both unintended pregnancies and STDs.

Summary of Proposals

Reauthorization for Abstinence Education Funding. The 1996 welfare reform bill appropriated \$50 million per year for five years for states to establish abstinence education programs. As long as states carefully observe the definition of abstinence education in the statute, states have great flexibility in the type of abstinence education program they implement. For example, states could establish classroom programs in the public schools or they could conduct media campaigns. Nearly every state has used this money to implement a wide range of programs aimed at promoting abstinence. In 1997, Congress appropriated funds to conduct a scientific evaluation of several of these state programs. This evaluation is now well underway and is expected to begin yielding results on program impacts on sexual activity, pregnancy, and other measures by 2003. Given the pending welfare reform reauthorization, Congress cannot wait on these results. Thus, the Administration is recommending that the Abstinence Education program, including its strong definition of how its funds must be spent, be reauthorized at the same level of funding as in 1996.

Community Based Abstinence Education. The President's 2003 budget increases funding for the Human Resources and Services Administration's Community-Based abstinence education grants from \$40 million in 2002 to \$73 million in 2003, a 83 percent increase. The funding increase will ensure that more communities across the country are able to deliver the message that abstinence is the surest way to avoid out-of-wedlock

pregnancy and STDs. This funding will also finance comprehensive evaluations of abstinence education programs.

Adolescent Family Life. The Adolescent Family Life (AFL) abstinence program provides abstinence education to more than 112,000 adolescents by emphasizing that abstinence is the most effective means of preventing out-of-wedlock pregnancy and abortion. Most of the abstinence education programs financed by AFL occur in school settings, both during and after school. The Administration proposes continuing the current funding of \$12 million for this program.

Improve Program Performance

Overview

Maintaining state flexibility and the existing TANF goal structure are two of the basic principles underlying the Administration's proposal. TANF has allowed States to become great innovators. At the same time, the shift to work and family-based aid has presented management challenges.

In keeping with the President's focus on governing with accountability, increased emphasis should be focused on results rather than dollars spent. Outcome-based performance measurement is an important component of an overall management and accountability system. State and local administrators seeking to provide increasingly better customer service and TANF outcomes must set clear and measurable goals.

States currently submit to the U.S. Department of Health and Human Services a state plan that describes the basic elements of their TANF programs. This proposal will modify current law by requiring states to explain how they intend to pursue the key objectives of TANF and how they will review their performance. States will be required to establish program goals and report annually on their success in meeting those goals. This new emphasis on information systems and accountability will have the added benefit of further increasing states' flexibility because reporting systems will allow the Federal Government to exercise necessary oversight without falling into the trap of micro-management.

Summary of Proposals

Focus on Employment Achievements. Under current law, states can compete for bonuses that are designed to recognize and reward high performing states. This proposal will replace the current High Performance Bonus with a \$100 million a year Bonus to Reward Employment Achievement. Emphasis will be placed on outcomes in achieving the employment goals of TANF. The formula for measuring state performance will be developed in consultation with the states and will specify annual numerical targets for individual states. This approach will make the bonus more predictable and useful for management purposes than is the case with the current bonus. States will compete against their performance in the previous year. All states could be eligible for a bonus in any given year if their performance meets established targets. The Secretary of HHS will

annually rank all states in the order of their performance on indicators measuring employment, retention, and wage increase.

Address All TANF Purposes. This proposal will require states to describe in their state plan how they are addressing each of the TANF purposes, and how these will help to improve the well-being of children. The Secretary's certification of state plan completeness will include a finding that the plan addresses each of the TANF purposes.

Set Performance Goals. Under this proposal, the general structure of the state plan provisions will be retained, but new attention will be focused on performance goals and measurement. States will be required to establish specific numerical performance goals for accomplishing each of the TANF purposes, including measures consistent with the Employment Achievement Bonus indicators. States will have full flexibility to define their performance goals, but will have to describe them in their state plans.

Measure and Report Performance. States will have to take necessary actions to achieve their performance goals, and measure their annual performance relative to these goals. States will have full flexibility to define their measurement methodology, as long as they describe it in their state plans. States will prepare annual performance reports updating their progress in achieving their numerical goals.

Conduct Research and Provide Technical Assistance. Under this proposal, HHS will research the best ways to construct performance measures that relate to the various goals of the TANF program. HHS will collaborate with states to identify key measures and build uniform data support and reporting methodologies; this approach will help states better measure their progress toward fulfilling the goals of TANF.

Revise Data Reporting Requirements. This proposal will modify state data collection requirements to focus on the data that are most useful in helping state and local program administrators improve management and performance. These data will also be useful for Federal oversight and research. Data will include information on TANF-funded services and supports, including Federal and state expenditures and expenditures for major categories of activities. This policy will be an important improvement over current law, which requires states to submit quarterly reports with disaggregated case record information on families receiving TANF assistance, but that do not address TANF-funded services.

Addressing Areas of Special Attention. States will be required to describe in their state plans particular strategies and programs they are employing to address the following important TANF challenges:

- employment retention and advancement;
- outreach to, and services for, struggling and non-compliant families;
- services and programs for clients with special problems;
- youth development;
- use of faith-based organizations and efforts related to charitable choice;
- improved program management and performance; and
- program integration

Enhance Child Support Enforcement

Overview

Child support enforcement is an important component of the Federal and state effort to promote family self-sufficiency. For the low-income families who receive it, child support makes up a significant portion of the family budget (26 percent). Moreover, families that receive child support are less likely to return to TANF.

The 1996 welfare reform law included the most extensive child support reforms ever enacted. These include new information systems to help locate parents who owe child support, automatic income withholding from paychecks, driver and professional license revocation, and other administrative tools. As shown by increased collection amounts and rates, these reforms have been a great success. Since 1995, collections have increased by nearly 50 percent, rising by over \$1 billion a year.

The 1996 reforms also streamlined paternity establishment, particularly voluntary paternity establishment, to encourage fathers to take the first step toward providing their children with financial and emotional support. These provisions have also been extremely successful. Paternity was established in more than 1.5 million cases in FY 1999, a 60 percent increase from 1995. Paternity is now established through in-hospital acknowledgment in nearly half of all non-marital births.

The Administration's proposal continues rigorous enforcement of child support obligations while targeting additional child support collections to the families with greatest need. Under current law, states and the Federal Government can retain most payments on overdue child support for families in which the mother is or has been on welfare. The Administration's proposal gives states financial incentives to increase the amount of collections on over-due child support given to families, especially families that have left welfare. When fully implemented, the proposal will provide annual payments of more than \$280 million to more than 230,000 families that have left welfare, thereby helping them maintain their independence from welfare. In addition, fathers will know that when they pay child support, their families will benefit; their children will know that they are being supported by both of their parents. A major research study in Wisconsin has shown that when TANF families receive the child support paid on their behalf, fathers are more likely to pay child support and to pay more child support.

Summary of Proposals

Provide Federal Matching Funds for Child Support Pass-Through Payments to Families That Currently Receive TANF. Although the state and Federal Governments generally retain child support collected on behalf of families that receive TANF, almost half of the states give TANF families some of the support collected on their behalf. Building upon this state practice, the Administration proposes Federal matching for states to provide up to the greater of \$100 per month or \$50 over the current state pass through to families that receive TANF (starting in October 2004). This support must be ignored for purposes of calculating a family's eligibility for TANF.

Encourage States to Give Families That Once Received Welfare All of the Child Support Collected on Their Behalf. The Administration proposal will simplify child support distribution rules to give states the option of providing families that have left welfare the full amount of child support collected on their behalf. This policy, which will be effective beginning October 2004, stipulates that the Federal Government will share costs with the states.

Require States to Regularly Review and Adjust Child Support Orders for Families That Currently Receive TANF. This proposal will require states to review child support orders for TANF families every three years. This mandatory review and, if necessary, modification of child support orders will increase the amount of payment required, which in turn will boost collections in welfare cases.

Collect a User Fee from Families That Have Never Received Welfare. This proposal will require families that have never used TANF to pay a \$25 annual user fee (effective FY 2003) when child support enforcement efforts on their behalf are successful. Families that are receiving TANF assistance are already asked to contribute some or all of their child support to offset part of the cost of the child support enforcement efforts made on their behalf. The Federal and state governments will share this revenue.

Lower the Threshold for Passport Denial. The Administration proposes lowering the threshold for passport denial to \$2,500 in past-due support, effective FY 2004. This policy will optimize the use of the successful provision established by the 1996 reforms that granted the authority to deny a passport to anyone owing over \$5,000 of past-due child support.

Withhold Limited Social Security Benefits. This proposal will expand the Federal administrative offset program to allow states to collect past-due child support by

withholding a limited amount of Social Security Disability Insurance payments from beneficiaries in appropriate cases. Benefits must exceed \$760 a month in order to be subject to withholding.

Reform Food Stamps to Promote Work

Overview

For over 30 years, the Food Stamp Program has served as the foundation of America's national nutrition safety net, the first line of the Nation's defense against hunger, and a powerful tool to improve nutrition among low-income families and individuals. Unlike most other assistance programs, the Food Stamp Program is available to nearly anyone with little income and few resources. As a result, it serves a broad cross-section of the Nation's poor: single parents and their children, the elderly and disabled, the recently unemployed, and the working poor.

Since the 1996 reforms, the percentage of food stamp households on welfare has fallen sharply, and the percentage of food stamp households with earnings has grown. In 2000, for the first time ever, more food stamp households relied on their own earnings than depended on welfare's cash assistance. Now, more than ever, the Food Stamp Program serves as an important support to ease the transition from welfare to work.

To succeed in this role, national program policies must work in tandem. The food stamp program's basic structure provides a strong work incentive by slowly reducing the value of benefits as earnings rise. However, the details of program operation at the local level should facilitate participation by families that work. Further improvement in food stamp policies can support this goal.

It has become increasingly clear that the program is failing to live up to this challenge. Historically, participation rates among people in households that work have been relatively low, and there is evidence suggesting that these rates have fallen in recent years.

Several careful studies show that only about half of the families leaving welfare receive the food stamps for which their low income qualifies them. Some of this decline in food stamp use once families leave welfare is probably intentional because some families do not want the stigma of welfare benefits. But many single mothers struggling to earn \$10,000 per year would certainly welcome the additional \$2,000 in benefits that food stamps would provide.

Working families often have circumstances that make complying with the program's procedural requirements difficult. It can be hard, for example, for working people to take time off to appear at certification interviews during working hours. But another part of

the problem is that the quality control system may result in states inadvertently discouraging food stamp use by working families. Because food stamp benefits are 100 percent Federally funded and yet are administered by states, a quality control system is an absolute necessity to ensure that states are not wasting Federal resources by awarding benefits to unqualified individuals and families. However, states have found over the years that food stamp cases with earnings cause high error rates because changes in earnings are so difficult to trace. While states now have new administrative options that can reduce the potential for risk of error in these cases, more can be done to help working families. In general, the reforms proposed by the Administration will make it easier for states to fashion a food stamp program that is friendlier to working families.

Summary of Proposals

The Administration is proposing a comprehensive and balanced approach to reform the Food Stamp Program that not only improves the nutritional safety-net for the working poor, but also simplifies the program and allows States to align all of their work-support programs while ensuring a high degree of program integrity and program access.

Simplify Program Administration. Complex program rules are burdensome for both agencies and recipients. The Administration's proposal would standardize the medical and dependent care deductions, eliminate exceptions to the standard utility allowance, and simplify vehicle rules.

Modify Sanction Policy. Instead of imposing Federal sanctions on states with error rates above the national average, the Federal Government will impose sanctions only on states with error rates above the 75th percentile of the distribution of state error rates. In addition, to receive a sanction the state must be above the 75th percentile for two years. This procedure will reduce the number of states being sanctioned and will somewhat reduce the size of sanctions. The effect of these outcomes will be to reduce the disincentive for states to provide food stamps to working families.

Adjust Sanctions for States with Many Cases with Earnings. States that have a high proportion of cases with earnings will have their sanctions adjusted so that, in effect, they will receive sanctions only if their error rates are well above the 75th percentile.

Replace Enhanced Funding with State Performance Bonuses. States that perform well in maintaining payment accuracy and providing better customer services, especially to working families, will receive bonuses that total \$70 million annually.

Improve the Electronic Benefit Transfer (EBT) Program. The EBT program has significantly improved the food stamp program by reducing the ability of participants to traffic benefits and by increasing the Department of Agriculture's ability to identify fraudulent retailers. EBT also allows more anonymous delivery of benefits which participants, especially those leaving welfare for work, greatly prefer. Under current law, Federal costs for EBT cannot exceed the costs of the paper food stamp system. The Administration will eliminate this cap on EBT costs and align EBT costs with other state administrative costs. This reform will facilitate the implementation of EBT in small states and reduce the disincentive for potential recipients to use food stamps.

Enable Working Families to Own Reliable Transportation. The Administration will exempt one vehicle per adult from program asset limits, allowing low-income individuals to own a reliable car for getting to work without losing food stamp benefits. This proposal eliminates situations in which ownership of a reliable vehicle prevents an otherwise eligible household from receiving food stamps. States would also continue to have the option to apply their TANF vehicle rules to the Food Stamp program.

Phase-in a Higher Standard Deduction for Large Households. The Administration will phase-in a standard deduction at the higher of the current standard or 10 percent of the poverty threshold, varied by household size. Virtually all of the households benefiting from this proposal are families with children. This proposal improves the Food Stamp Program's ability to operate as a work support for low-income working families. The current standard deduction is the same amount for all households and has been frozen since 1995.

Provide Food Stamps for Legal Immigrants

Overview

The 1996 welfare reform law substantially changed the circumstances under which noncitizens could receive welfare benefits. Although the new rules are complex, the most important provision is that noncitizens who arrive in the United States after 1996 are subject to a five year ban on most welfare benefits. The major exception is that noncitizens can receive emergency services. At the end of five years, noncitizens can receive TANF, Medicaid, and a few other benefits at the discretion of the state in which they reside. However, the ban continues on food stamps and the Supplemental Security Income program until the immigrant works for 10 years or becomes an American citizen. In addition, some immigrants who entered the U.S. before 1996 continue to be eligible for Supplemental Security Income and food stamps. Data from the U.S. Census Bureau show that these changes have resulted in a very substantial reduction in receipt of welfare benefits by noncitizens. Research also suggests that immigrant children have experienced an increased incidence of difficulty in obtaining the resources to purchase nutritionally adequate food.

Summary of Proposal

Federal policy should strive to find a balance between the needs of destitute noncitizens and the need to ensure that welfare policy neither attracts noncitizens to the U.S. to take advantage of welfare programs nor induces welfare dependency among noncitizens who do receive welfare benefits. Thus, the Administration supports continuation of the five-year ban on welfare benefits for noncitizens entering the country after 1996 and proposes to align food stamps with TANF and Medicaid by allowing legal immigrants to receive food stamps five years after entry. This policy helps ensure adequate nutrition among children and other vulnerable immigrant groups, while continuing to require new entrants to support themselves and their families through work.

Facilitate Program Integration

Overview

Under the vision and flexibility provided by TANF, states have transformed their public assistance programs into innovative and comprehensive workforce assistance programs. TANF has succeeded because its purposes are not only to help families escape cash welfare dependency, but also to support families that are working, help them advance in employment, and help parents build stronger families.

Other major Federal assistance programs serving low-income populations provide similar assistance to TANF. Yet the potential effectiveness of all these programs combined is greatly compromised by differences in administrative practices and program rules. This problem makes serving low-income populations more difficult than need be and hampers state efforts to help individuals and families escape government dependency.

The Administration proposes new waiver authority that will allow states to build stronger, more integrated and effective service systems across a broad range of public assistance and training programs. States and local areas will find it easier to plan and enter into partnerships with businesses, community-based organizations, and faith-based organizations to help those who are seeking work, struggling to retain their jobs, or trying to climb the career ladder. The authority granted under the Administration's proposed waivers will allow states to build coherent and comprehensive strategies on behalf of low-income individuals and families. States will be able to deliver more seamless services tied to stated program goals and self-sufficiency and employment outcomes.

Summary of Proposals

Establish New State Program Integration Waivers. The Administration's proposal will allow states to seek new waivers for integrating funding and program rules across a broad range of public assistance and workforce development programs. States will submit waiver applications detailing their plans to the Federal Government. The Cabinet Secretaries of each Federal Department with jurisdiction over the affected programs will be able to negotiate specific terms and conditions related to their programs and waive any rules that are inconsistent with the proposal. The programs include, but are not limited to:

- TANF

- Food Stamps
- The Workforce Investment Act
- The Wagner-Peyser Act
- Federal Housing and Homeless Assistance Programs, and
- GED and post-secondary education programs.

Broad State Flexibility to Design New Strategies and Approaches for Achieving Stated Program Goals. States will be able to establish or modify eligibility criteria and program rules subject to specific and minimal Federal requirements. States will be required to assist the same general populations currently targeted by their programs. In their waiver proposals, states will be required to identify the programs and activities for which waivers are requested, describe how the program purposes will be achieved, and show how the proposal will improve or enhance the achievement of such goals.

Waivers Granted on the Basis of Likelihood of Success. Agreements related to modification of program rules will be made subject to approval by each relevant Cabinet Secretary. They will be able to waive the specific program requirements if the proposed project is likely to improve the quality or effectiveness of the programs involved.

Maintain Accountability for Program Performance. States will need to describe the integrated performance objectives and outcomes for the proposed program, including any modification to reporting requirements and performance measures. Integrated programs for which waivers are granted will be operated as demonstration programs and participating states will be required to evaluate the program.

Require Reforms to be Cost Neutral. The waiver terms and conditions will be subject to stringent cost neutrality requirements. Proposals will need to be cost-neutral across all programs for which a waiver is requested, and states will be required to agree to abide by specific cost neutrality targets. The terms and conditions will specify funding levels above which waiver program activities will be suspended or terminated. The terms and conditions will also specify spending levels above which payment or repayment of state funds will be required.

Regular Reports to Congress. Each Department will be required to report annually on the number and scope of waivers approved under this provision, the specific statutory provisions waived, along with any recommendations to the Congress for modification to current programs based on findings from the state program evaluations.